

**Charlestown Mall**

**Box 30**

**Document 4**

Audited Financial Statements and  
Other Financial Information

GAETANO ASSOCIATES (A LIMITED PARTNERSHIP)

December 31, 1983

Audited Financial Statements

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Audited Financial Statements

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To the Partners  
Gaetano Associates  
Utica, New York

We have examined the accompanying balance sheet of Gaetano Associates (a Limited Partnership) as of December 31, 1983, and the related statements of income, changes in partners' capital, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The 1982 financial statements of Gaetano Associates were examined by other auditors whose report dated January 20, 1983, expressed an unqualified opinion on those statements.

In our opinion, the 1983 financial statements referred to above present fairly the financial position of Gaetano Associates as of December 31, 1983, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Syracuse, New York  
March 16, 1984

BALANCE SHEETS

GAETANO ASSOCIATES (a Limited Partnership)

	December 31	
	1983	1982
<b>ASSETS</b>		
Regional Shopping Mall--Note A:		
Land	\$ 192,000	\$ 192,000
Buildings and improvements	1,409,916	1,338,696
Equipment	68,804	65,621
Furniture and fixtures	44,845	44,845
Vehicles	16,910	16,910
	<u>1,732,475</u>	<u>1,658,072</u>
Less accumulated depreciation	519,243	386,849
	<u>1,213,232</u>	<u>1,271,223</u>
Cash and cash equivalents	58,580	4,425
Rents receivable less allowance for doubtful accounts of \$8,000	40,001	11,313
Notes receivable from partners--Note B	182,000	-0-
Deferred charges--Note A	5,622	8,747
Due from affiliates--Note B	27,688	33,884
Prepaid expenses and other assets	<u>36,088</u>	<u>18,049</u>
	<u>\$1,563,211</u>	<u>\$1,347,641</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
<b>LIABILITIES</b>		
Notes payable--Note C	\$ 942,750	\$ 708,031
Accounts payable and accrued expenses	293,655	219,587
Notes payable to partner--Note B	6,858	15,858
Due to affiliates--Note B	<u>61,393</u>	<u>-0-</u>
	<u>1,304,656</u>	<u>943,476</u>
<b>PARTNERS' CAPITAL--Note A</b>	<u>258,555</u>	<u>404,165</u>
	<u>\$1,563,211</u>	<u>\$1,347,641</u>

See notes to financial statements.

# STATEMENTS OF INCOME

## GAETANO ASSOCIATES (a Limited Partnership)

	Year ended December 31,	
	1983	1982
<b>REVENUES</b>		
Rental income:		
Minimum rents	\$1,209,153	\$1,190,900
Percentage rents	123,929	87,322
Recoveries from tenants:		
Common area maintenance	178,921	151,600
Utilities	213,766	195,956
Taxes, storage, and other	49,885	47,174
Other income	17,595	45,797
<b>TOTAL REVENUES</b>	<b>1,793,249</b>	<b>1,718,749</b>
<b>EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION</b>		
Administrative and management	483,984	259,040
Operating	488,137	435,104
Repairs and maintenance	227,868	281,102
Taxes, insurance and employee benefits	232,654	172,914
Interest	77,069	104,280
<b>TOTAL EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION</b>	<b>1,509,712</b>	<b>1,252,440</b>
<b>NET INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>283,537</b>	<b>466,309</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>135,519</b>	<b>123,000</b>
<b>NET INCOME</b>	<b>\$ 148,018</b>	<b>\$ 343,309</b>

See notes to financial statements.

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL  
GAETANO ASSOCIATES (a Limited Partnership)

	Year ended December 31,	
	1983	1982
Partners' capital at beginning of year	\$404,165	\$ 62,756
Net income for the year	148,018	343,309
Capital withdrawn	(293,628)	(1,900)
PARTNERS' CAPITAL AT END OF YEAR	<u>\$258,555</u>	<u>\$404,165</u>

See notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

GAETANO ASSOCIATES (a Limited Partnership)

	Year ended December 31	
	1983	1982
<b>FUNDS PROVIDED BY</b>		
Operations:		
Net income for the year	\$148,018	\$343,309
Items not affecting funds:		
Depreciation and amortization	135,519	123,000
<b>TOTAL FROM OPERATIONS</b>	<u>283,537</u>	<u>466,309</u>
Proceeds from note borrowing	400,000	150,000
Payments received on amounts from affiliates and increase in amounts due to affiliates	67,589	-0-
Increase in accounts payable and accrued expenses	74,068	-0-
Decrease in rents receivable	-0-	28,990
	<u>825,194</u>	<u>645,299</u>
<b>FUNDS APPLIED TO</b>		
Expenditures for fixed assets:		
Building improvements	71,220	190,331
Equipment, vehicles, furniture and fixtures	3,183	53,221
	<u>74,403</u>	<u>243,552</u>
Partners' withdrawal of capital	293,628	1,900
Loans to partners	182,000	-0-
Repayment of:		
Notes payable to partner	9,000	-0-
Other note obligations	165,281	328,746
Payment of amounts due to affiliates and advances to affiliates	-0-	68,542
Increase in:		
Rents receivable	28,688	-0-
Prepaid expenses and other assets	18,039	16,253
Deferred charges	-0-	3,730
Decrease in accounts payable and accrued expenses	-0-	74,178
	<u>771,039</u>	<u>736,901</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	54,155	(91,602)
Cash and cash equivalents at beginning of year	4,425	96,027
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 58,580</u>	<u>\$ 4,425</u>

See notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

GAETANO ASSOCIATES (a Limited Partnership)

December 31, 1983 and 1982

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Financial Statement Presentation: Gaetano Associates is a limited partnership organized in April 1979, pursuant to the laws of the State of New York. The purpose of the partnership is to own, develop and operate "CharlesTown", a regional shopping mall located in Utica, New York.

The accompanying financial statements have been prepared on the accrual method of accounting and include only those assets, liabilities, and results of operations that relate to the business of Gaetano Associates.

Certain 1982 amounts have been reclassified to conform with 1983 presentation.

Regional Shopping Mall: The Partnership capitalizes costs directly associated with the acquisition and improvement of its shopping mall. Buildings and improvements are depreciated using the straight-line method and personal property principally using accelerated methods over the following estimated useful lives:

*Buildings and improvements	10 to 20 years
Equipment	5 to 7 years
Furniture and fixtures	5 to 10 years
Vehicles	3 to 5 years

Routine maintenance and repairs are expensed when incurred.

Tenant Lease Agreements: Revenues under tenant lease agreements are recognized as follows:

- ° Minimum rent payments are recorded as income monthly.
- ° Certain leases provide for additional rental payments (percentage rent) based upon sales in excess of stipulated amounts. Major tenants who have had a history of exceeding a stipulated amount of sales, are billed for estimated additional rent payments on a monthly basis which is recognized as income when billed. These estimated amounts are adjusted to actual at the tenants' lease anniversary dates.
- ° Estimated common area costs and other costs chargeable to tenants are billed monthly based on stipulated lease terms. Adjustments based on actual costs incurred are recognized and billed or rebated in the subsequent year when finally determined.

NOTES TO FINANCIAL STATEMENTS--Cont'd

GAETANO ASSOCIATES (a Limited Partnership)

December 31, 1983 and 1982

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Cont'd

Deferred Charges: Deferred charges consist of expenses incurred to obtain financing and are amortized over the respective terms of the loans.

Federal Income Taxes: No provision has been made for income taxes or tax credits since income and credits are includable in the tax returns and are the responsibility of the partners individually.

NOTE B--RELATED PARTY TRANSACTIONS

Notes receivable from partners at December 31, 1983 consist of non-interest bearing notes to a general partner and two limited partners, payable on demand.

Notes payable to partner at December 31, 1983 and 1982 consisted of a non-interest bearing note due to a general partner, payable on demand.

The balance in Due to Affiliates arises from 1983 operating costs of Gaetano Associates paid in its behalf by Gaetano Property Management Corporation.

The balance in Due from Affiliates represents working capital advances to C.G. Properties, Cornel Associates, The Gaetano Company of Ogdensburg, Gaetano Development Corporation and WBC Associates.

Other transactions with related parties affecting operations were as follows:

	Year ended December 31	
	1983	1982
Contracted amounts charged by Lakewood Construction Co., Inc., for building improvements to "CharlesTown"	<u>\$34,032</u>	<u>\$77,667</u>
Rents and related expenses billed to various affiliates for space leased in "CharlesTown"	<u>\$24,174</u>	<u>\$14,098</u>

All of these entities are affiliated with the Partnership through common family ownership.

NOTES TO FINANCIAL STATEMENTS---Cont'd

GAETANO ASSOCIATES (a Limited Partnership)

December 31, 1983 and 1982

NOTE C--NOTES PAYABLE

Notes payable at December 31, 1983 and 1982 consist of:

	December 31 1983	1982
Note payable to a bank through April 1989 in monthly installments of \$7,440 plus interest at 1% above the prime rate. Collateralized by a first mortgage on the "CharlesTown" real property, parking lot, personal property and any present or future improvements	\$474,286	\$563,572
Note payable to Utica Department of Urban and Economic Development through October 1991 in monthly installments of \$956 including interest at 7%. Collateralized by a second mortgage on the "CharlesTown" real property	68,464	74,896
Promissory demand note payable to a bank, interest only payable quarterly at prime rate plus 1% until June 30, 1984	400,000	-0-
Note payable to Mohawk Valley Rehabilitation Corporation repaid in 1983	-0-	67,168
Installment note payable to a bank repaid in 1983	-0-	2,395
	<u>\$942,750</u>	<u>\$708,031</u>

The promissory demand note must be collateralized by a second mortgage on the "CharlesTown" real property if not paid by June 30, 1984 and prohibits any refinancing or encumbering of the Partnership's real property during the period of the loan. The note is personally guaranteed by the Partnership's two general partners. Should the note not be repaid by June 30, 1984, a scheduled repayment plan will be negotiated at that time.

*Change!*  
Aggregate principal payments of the notes payable, excluding the promissory demand note, for the five years subsequent to December 31, 1983 are: 1984--\$96,183; 1985--\$96,681; 1986--\$97,216; 1987--\$97,789; and 1988--\$98,404.

NOTES TO FINANCIAL STATEMENTS--Cont'd

GAETANO ASSOCIATES (a Limited Partnership)

December 31, 1983

NOTE D--TENANT LEASES

The Partnership's operating revenue is principally obtained from tenants through rental payments as provided for under noncancelable operating leases. The tenant leases, as described in Note A, typically provide for guaranteed minimum rent, percentage rent, and other miscellaneous charges to cover certain operating costs.

The following is a schedule by years of minimum future rentals on noncancelable tenant operating leases as of December 31, 1983:

Year ending December 31:		
1984	\$ 974,735	1,157,371
1985	590,844	770,312
1986	306,180	469,760
1987	141,334	266,640
1988	72,065	194,918
Later years	<u>8,997</u>	<u>14,037</u>
	TOTAL <u>\$2,094,155</u>	<u>2,873,038</u>

The total minimum future rentals presented above do not include amounts that may be received under tenant leases for percentage rents, which are based on tenant sales or other charges to cover certain operating costs. Percentage rents and other charges amounted to \$123,929 and \$442,572 in 1983 and to \$87,322 and \$394,730 in 1982, respectively.

To the Partners  
Gaetano Associates  
Utica, New York

The 1983 audited financial statements of Gaetano Associates (a Limited Partnership) and our report thereon are presented in the preceding section of this report. The 1983 information presented hereinafter is for purposes of additional analysis and is not required for a fair presentation of the financial position, results of operations or changes in financial position of Gaetano Associates. Such information has been subjected to the auditing procedures applied in our examination of the 1983 financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The financial data relating to the year ended December 31, 1982 was derived from financial statements which were examined by other auditors.

Syracuse, New York  
March 16, 1984

DETAILS OF STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

GAETANO ASSOCIATES (a Limited Partnership)

		General Partners				Limited Partners				Total
		Charles A. Gaetano	Brian A. Gaetano	Cornelia H. Gaetano	William C. Gaetano	Charles N. Gaetano	Mary J. Gaetano	Colleen A. Gaetano	Gregory Gaetano	
Partners' capital at January 1, 1982		\$ 20,900	\$ 3,493	\$ 20,901	\$ 3,493	\$ 3,493	\$ 3,492	\$ 3,492	\$ 3,492	\$ 62,756
Net income for the year		114,436	19,073	114,435	19,073	19,073	19,073	19,073	19,073	343,309
Capital withdrawn							(1,900)			(1,900)
PARTNERS' CAPITAL AT DECEMBER 31, 1982		135,336	22,566	135,336	22,566	22,566	20,665	22,565	22,565	404,165
Net income for the year		49,364	8,215	49,364	8,215	8,215	8,215	8,215	8,215	148,018
Capital withdrawn		(180,508)	(3,000)	(109,000)			(1,120)			(293,628)
PARTNERS' CAPITAL AT DECEMBER 31, 1983		<u>\$ 4,192</u>	<u>\$27,781</u>	<u>\$ 75,700</u>	<u>\$30,781</u>	<u>\$30,781</u>	<u>\$27,760</u>	<u>\$30,780</u>	<u>\$30,780</u>	<u>\$258,555</u>

DETAILS OF EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION

GAETANO ASSOCIATES (a Limited Partnership)

	Year ended December 31,	
	1983	1982
<b>ADMINISTRATIVE AND MANAGEMENT</b>		
Leasing, administrative and accounting payroll	\$ 162,863	\$ 136,451
Advertising and promotion	178,268	10,581
Professional services	54,225	33,961
Dues and subscriptions	6,683	1,028
Education and seminars	3,552	875
Data processing	3,418	2,162
Office expense	22,106	28,988
Telephone	21,025	17,342
Travel and entertainment	28,908	24,966
Other	2,936	2,686
	<u>483,984</u>	<u>259,040</u>
<b>OPERATING</b>		
Electricity	303,223	286,522
Gas	116,639	108,945
Water and sewer	14,975	9,203
Security payroll	50,654	30,279
Bad debts	2,646	155
	<u>488,137</u>	<u>435,104</u>
<b>REPAIRS AND MAINTENANCE</b>		
Maintenance and janitorial payroll	120,752	125,035
Supplies and material	53,980	72,739
Contracted services	53,136	83,328
	<u>227,868</u>	<u>281,102</u>
<b>TAXES, INSURANCE, AND EMPLOYEE BENEFITS</b>		
Real estate taxes	100,211	97,684
General insurance	57,753	24,539
Vacation, holiday and sick pay	8,178	8,575
Employee benefits	27,580	15,898
Payroll taxes	38,932	26,218
	<u>232,654</u>	<u>172,914</u>
<b>INTEREST</b>		
First mortgage	63,581	86,467
Other loans	13,488	17,813
	<u>77,069</u>	<u>104,280</u>
	<u>\$1,509,712</u>	<u>\$1,252,440</u>